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Attorneys for Plaintiff

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

TERRY KLEIN, derivatively on behalf
of LSB INDUSTRIES, INC.

Plaintiff,

07 CV 8710 (LTS)

v.

KENT C. MCCARTHY, JAYHAWK CAPITAL
MANAGEMENT, L.L.C., JAYHAWK
INSTITUTIONAL PARTNERS, L.P.,
JAYHAWK INVESTMENTS, L.P. and LSB
INDUSTRIES, INC.

Defendants.

STIPULATION OF SETTLEMENT

WHEREAS, plaintiff TERRY KLEIN ("Klein"), a shareholder
of nominal defendant LSB INDUSTRIES, INC. ("LBS"), brought this
action pursuant to §16 of the Securities Exchange Act of 1934 to
recover short-swing profits allegedly obtained by defendants KENT
C. MCCARTHY, JAYHAWK CAPITAL MANAGEMENT, L.L.C., JAWHAWK
INSTITUTIONAL PARTNERS, L.P., and JAYHAWK INVESTMENTS, L.P.

(collectively the "Defendants") in connection with their trading of LSB common stock; and

WHEREAS, the Defendants deny any liability for the claims asserted in the complaint, but nevertheless wish to avoid the expense and inconvenience of protracted litigation; and

WHEREAS, the attorneys for the parties have engaged in discovery and have reached, after extensive arms-length negotiations, a full and fair settlement; and

WHEREAS, LSB, represented by its independent counsel, believes that a settlement of this litigation in the amounts described below is in the best interests of LSB and its shareholders; and

WHEREAS, counsel for LSB and plaintiff have reached agreement as to the amount of legal fees to be awarded; and

WHEREAS, the parties believe that under the facts of this case and the relatively small size of the claim and the recovery, it is impractical and unnecessary to serve notice of this settlement upon all the equity and debt holders of LSB;

IT IS HEREBY STIPULATED AND AGREED as follows:

1. Defendants shall pay to LSB the sum of \$180,000 in full settlement of all claims alleged in this action.

2. Plaintiff's counsel intends to make application to the Court for counsel fees and disbursements in the sum of \$54,000 plus \$1,000.00 in disbursements. LSB believes that plaintiff has

added value to this litigation and will not object to an award of such amount as compensation to plaintiff's counsel for their efforts in discovering and prosecuting the claims. Defendants agree not to oppose such a request.

3. As soon as practicable after this Stipulation has been executed, the parties shall jointly move the Court for approval of the Settlement and for entry of the Order and final judgment in the form annexed hereto as Ex. A (the "Order"). In the event that the Court does not enter the Order approving the Settlement as proposed, this Stipulation shall be null and void.

4. This Stipulation and all negotiations and papers related to it, and any proceedings in connection with the Settlement, whether or not the settlement is consummated, are not and shall not be construed to be evidence of, or an admission by, any of the parties respecting the validity or invalidity of any of the claims or defenses asserted in the action or of defendants' liability or lack of liability with respect to any such claim, or of any wrongdoing or lack of wrongdoing by them whatsoever, and shall not be offered for admission or received as evidence of such liability or wrongdoing or lack thereof.

5. All payments hereunder shall be made within five (5) business days after entry of the Order. Payments for counsel fees and disbursements as ordered by the Court shall be paid by check or wire transfer by the defendants to Bragar Wexler & Eagel, PC. The

defendants shall deduct these funds from the \$180,000 settlement consideration.

6. This Stipulation may be executed in two or more counterparts.

7. The parties shall use their best efforts to execute such documents and take such other action as is necessary to effectuate the Settlement provided for herein.

New York, New York
March 19, 2008

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Attorneys for Defendants

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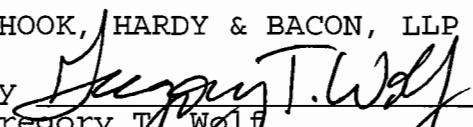
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